

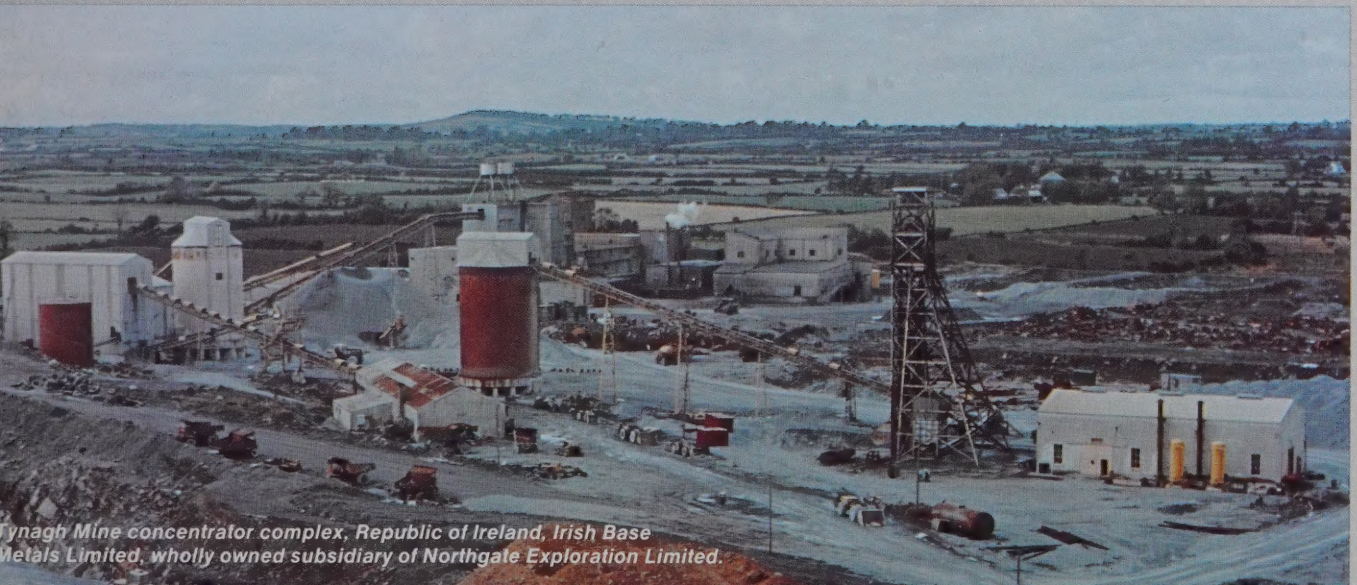


Black Angel Mine in West Greenland, of Greenex A/S, wholly owned subsidiary of Vestgron Mines Limited.

WESTFIELD MINERALS LIMITED

TWENTY-THIRD ANNUAL REPORT

1978



Tynagh Mine concentrator complex, Republic of Ireland, Irish Base Metals Limited, wholly owned subsidiary of Northgate Exploration Limited.

WESTFIELD MINERALS LIMITED

(Incorporated under the laws of Canada)

DIRECTORS

Sylvester P. Boland,
Dublin, Ireland
Executive Vice-President,
Chief Financial Officer and Director,
Northgate Exploration Limited

William M. Gilchrist,
Ottawa, Canada
Consulting Mining Engineer,

Matthew Gilroy,
Dublin, Ireland
Vice-President and Director,
Northgate Exploration Limited

A. Garfield Heyes,
Toronto, Canada
Vice-President and Director,
Northgate Exploration Limited

Patrick J. Hughes,
Dublin, Ireland
Chairman and Director,
Northgate Exploration Limited

Thomas E. Kelly,
Toronto, Canada
Secretary-Treasurer,
Northgate Exploration Limited

Peter McAleer,
Dublin, Ireland
Barrister at Law,
Vice-President, Northgate Exploration Limited

Joseph V. McParland,
Dundalk, Republic of Ireland,
Secretary-Treasurer and Director,
Tara Exploration and Development Company Limited

John P. Millenbach,
Toronto, Canada
Mining Engineer

George T. Smith,
Toronto, Canada
Barrister and Solicitor,
President and Director,
Northgate Exploration Limited

Officers

Patrick J. Hughes, *Chairman*
Thomas E. Kelly, *President and Treasurer*
George T. Smith, *Vice-President*
A. Garfield Heyes, *Vice-President*
Joseph V. McParland, *Vice-President*
Peter Hayden, *Secretary*

Executive and Head Office

Suite 2602, Royal Trust Tower
Toronto-Dominion Centre,
P.O. Box 27,
Toronto, Canada M5K 1A1

Transfer Agent and Registrar

Crown Trust Company,
302 Bay Street, Toronto, Canada

Bankers

Bank of Nova Scotia,
Toronto, Canada

Canadian Imperial Bank of Commerce,
Toronto, Canada

Shares Listed

The Toronto Stock Exchange,
Toronto, Canada

Auditors

Clarkson, Gordon & Co.,
Chartered Accountants
Toronto, Canada

WESTFIELD MINERALS LIMITED

REPORT OF THE DIRECTORS

The Directors are pleased to present the 23rd Annual Report of the Corporation. Included are the audited consolidated financial statements for the year ended December 31, 1978, together with a review of the Corporation's principal investment interests and its exploration activities during the year and the subsequent period to date.

Corporate Profile in Brief

The main assets of the Corporation are its substantial minority shareholdings in **Northgate Exploration Limited** (13.6%), **Vestgron Mines Limited** (9.8%) and **Whim Creek Consolidated N. L.** (22.5%).

Northgate (which owns 44.7% of Westfield) has base metal mining operations in Ireland and is also active in widespread mineral exploration in Ireland and North America, as well as oil and gas exploration in Western Canada and the United States.

In addition, among other investments, Northgate has an approximate 10% equity interest in Tara Exploration and Development, with the latter's 75% owned subsidiary, Tara Mines, operating the large zinc-lead mine at Navan, Ireland.

Vestgron (62.5% controlled by Cominco Ltd.) is engaged in base metal mining operations in Western Greenland, operated by its wholly owned Danish subsidiary, Greenex A/S.

Whim Creek, essentially an exploration undertaking with several diversified mineral holdings mainly in Western Australia, including partially explored nickel-copper, copper, gold and diamond property interests, is currently engaged in feasibility studies relating to prospective copper and gold mining projects.

Further details regarding each of the foregoing corporations in which Westfield has investment participations, are set out in appropriate sections of this Report.

During 1978, Westfield's exploration activities were principally concentrated in Newfoundland, Canada, primarily for uranium, throughout widespread property holdings, optioned or staked, totalling some 333,000 acres. Work was greatly accelerated following the discovery during October of high grade uranium-mineralized 'float' material and subsequent bedrock samples obtained during trenching near Wigwam Creek, Deer Lake Basin area. The Newfoundland property interests were further extended subsequent to the year end and at May 31, 1979 totalled approximately 355,000 acres.

The 1979 mineral exploration budget, substantially in respect of the holdings in the Deer Lake Basin area of Newfoundland, was initially set at \$650,000 but now projected to a tentative \$850,000 to encompass planned appreciable surface diamond drilling of specific targets and for geological and structural information.

Also during 1978, Westfield participated in the ongoing joint venture exploration for uranium with Northgate (WFD 25%—NGX 75%) in the Johan Beetz area of Quebec. The extensive ground holdings in this area have been consolidated with sufficient work completed to maintain the claims in good standing for at least five years. The program has been scaled back and proposed diamond drilling to test the depth extensions of several areas of low grade uranium mineralization has been deferred.

Westfield also diversified into oil and natural gas exploration and development during 1978, initially acquiring a 7.5% working interest in a 2,240-acre tract in the Slave Point area, northeastern British Columbia and later in the year acquired interests in the Wayne Rosedale oil field north of Calgary,

Alberta, participating in the drilling of three earning wells and then purchasing an approximate 25% interest in adjoining leaseholdings containing producing oil wells.

Subsequent to the year end, on April 30, 1979, Westfield sold its interests in the Wayne Rosedale Field for \$2,130,000 resulting in a profit of approximately \$900,000.

Other asset interests of Westfield include a 25% net profit carried interest on all production profits from its formerly owned Coniaurum Mine (copper-gold) in the Timmins area, Ontario, now owned and operated by Pamour Porcupine Mines, Limited. Westfield is also entitled to receive one-third of the net proceeds from the sale of the surface rights of the Coniaurum property. No income was earned under this agreement in the 1976-1978 period.

FINANCIAL

Mineral exploration expenditures in 1978 amounted to \$292,618 compared with \$304,098 in 1977. Costs of interests in oil and gas properties acquired in 1978 totalled \$870,168; there was no similar expenditure in the previous year.

Consolidated net loss for the year was \$66,931 which compares with a loss in 1977 of \$451,343 (restated). Working capital deficiency at the 1978 year end was \$580,558 compared with a positive working capital of \$504,296 in 1977. The principal factor in the \$1,084,854 decrease in working capital during the year was the \$870,168 expended in the acquisition of interests in oil and gas properties.

As previously noted, the Wayne Rosedale oil interests were sold on April 30, 1979 for \$2,130,000. The proceeds from this transaction, after deduction of 1978 acquisition costs and drilling expenditures together with the ongoing costs to April 30, 1979, amounted to approximately \$900,000.

The quoted market value of the principal investments of the Corporation at the 1978 year end amounted to approximately \$12.8 million compared with the year earlier figure of \$9.7 million and a current approximate value of \$14 million.

GENERAL EXPLORATION

In addition to the considerable exposure to exploration through separate and independent programs of its principal affiliated companies, Northgate, Vestgiron and Whim Creek, the

Corporation's exploration activities were appreciably broadened in 1978 and are expected to expand significantly during the current year.

NEWFOUNDLAND

The main thrust of exploration in 1978 was in the Deer Lake Basin area of Newfoundland which is about 55 miles northeast of Corner Brook. Initial exploration efforts consisted of reconnaissance for uranium on some 260,000 acres optioned from the Reid Newfoundland Corporation in the Codroy-St. Georges Basin area and in the Deer Lake Basin area.

Work was accelerated during October following the discovery of uranium-mineralized float material in sandstone fragments obtained from three pits sunk along the bank of Wigwam Brook near the junction with the Upper Humber River near Deer Lake. Following the discovery of this float material containing very encouraging uranium values, 941 claims were staked covering approximately 37,500 acres and an additional three Reid Lots totalling a further 35,500 acres, contiguous or near the area of the discoveries, were acquired under option.

Subsequent trenching in an area near the pits containing the float material located highly radioactive zones within bedrock. Fifteen large grab samples of weakly to highly radioactive sandstone obtained from the weathered bedrock during digging of the trench were assayed. The four best samples returned 0.8 lb., 5.8 lbs., 13.8 lbs., and 25.6 lbs. U_3O_8 per ton.

A limited program of test diamond drilling, consisting of a series of shallow holes was put down in the vicinity of the trenches as well as a few holes drilled down dip of the known showings. Although this test drilling did not intersect significant mineralization, a 'down-the-hole' radiometric probe instrument survey did indicate down dip continuity of radioactivity.

Early in 1979 a program of line cutting was carried out to establish an initial grid measuring 100 metres by 25 metres and geochemical soil sampling is nearing completion and basal till samples are being collected. A detailed airborne radiometric survey of the area is planned and should get under way by early June. The decision to carry out the survey was made following the location of two radiometrically anomalous areas by ground prospecting.

In one of these areas, three boulders were located assaying 15.2 lbs., 16.3 lbs., and 33.5 lbs. U_3O_8 per ton. The mineralization is in sandstones similar to that at Wigwam Brook about five kilometres to the south. Work is currently in progress on six widely separated areas throughout the property holdings employing a workforce of 30 persons. An additional 547 claims have now been staked on the margins of the Deer Lake Basin as a result of the discovery of additional high grade boulders.

OTHER PROPERTIES

A contract has been awarded for a program of diamond drilling which is scheduled to commence in June, 1979.

The two claim groups acquired by staking in 1977, including 11 claims in Nairn Twp., Ontario, covering an area containing radioactive sandstone-greywacke; and a group of 41 claims in McArthur Twp., Ontario, which covers a known showing of lead-zinc with associated gold-silver mineralization, are retained. Both properties warrant prospecting and a program of mapping, geophysics, geochemistry and trenching is proposed for the latter claim group during the current year.

The work completed to date in the Johan Beetz area of Quebec in joint venture with Northgate has outlined several areas of low grade uranium mineralization with possible open pit dimension. Ground holdings in the area have been consolidated and adequate work has been completed to maintain them in good standing for at least five years. The program has been scaled back and proposed diamond drilling to test the depth dimensions of these zones has been deferred in view of heavy commitments and priorities of the uranium exploration program in Newfoundland.

Due to the lack of rig availability, the natural gas project in the Slave Point area, northeastern British Columbia, was not drilled and it is now anticipated that drilling will take place in the winter of 1979-1980.

This natural gas project in which the Corporation acquired a 7.5% working interest until payout, thereafter reducing to an earned interest of 3.65% in the well and the undrilled sections of the total 2,240 acres involved, was obtained on a farmout from B. P. Explorations, Ethyl Corporation, Union Oil of Canada and Frio Oil Limited. At least two additional well locations are available on this tract. A gas

transmission line crosses within a half mile of the initial well location and has a tie-in point at that site.

The option agreement with the Quebec government's SOQUEM in respect of the Corporation's subsidiary, Here Fault Copper Limited, has been formalized and field work is expected to commence this summer, together with some diamond drilling, on the 682-acre copper prospect in Rouyn Twp., Quebec. Under the terms of the agreement, SOQUEM can earn up to a 50% interest in the Here Fault property by the expenditure of \$200,000 in exploration work over a three year period, with \$100,000 of that amount committed in the first year of the agreement.

Other projects of current exploration interest include the continuing exploration of the mining properties in the Pelly River area, Yukon Territories, held by a private company, Pelly River Mines Limited, in which Cyprus Anvil Mining Corporation and Cyprus Mining Corporation own a combined 71.4% interest, the remaining 28.6% held by Rose Creek Vangorda Mines Limited. Westfield owns approximately 20% of the presently issued shares of Rose Creek Vangorda.

Subsequent to the 1978 year end, Rose Creek Vangorda has arranged to issue 500,000 treasury shares to finance its contribution to the continuing exploration of the claims held by Pelly River Mines Limited totalling some 132 claims and 65 fractions in the Pelly River area, most of which adjoin the DY claims of Cyprus Anvil. The 1979 program in the GALE-DY area is mainly diamond drilling and total work on the Pelly River Mines' claims is budgeted at \$320,000.

In the exercise of its entitlement, Westfield will subscribe for 99,414 shares of Rose Creek Vangorda at a cost of \$29,824.

The 1978 Annual Report of Cyprus Anvil noted that drilling results from the program on its DY deposit, located 20 kilometres southeast of the Anvil Mine, while not conclusive as to tonnage and grade, continued to return encouraging intersections and maintained the probability of outlining a significant underground reserve.

Investments

The Corporation's principal investments consist of the following:

Northgate Exploration Limited — 936,619 shares
Direct Interest — 13.6%

Vestgron Mines Limited — 414,510 shares

Direct Interest — 9.8%

Indirect Interest — 0.7%*

Whim Creek Consolidated N. L. — 2,500,000 shares

Direct Interest — 22.5%

Indirect Interest — 4.3%*

*Indirect interest derives from the 13.6% equity interest in Northgate.

The following separate summaries of the foregoing corporations in which Westfield has significant investment interests are presented for the information of shareholders.

NORTHGATE EXPLORATION LIMITED

Northgate is a mining, exploration and investment holding company. Its principal wholly owned Irish subsidiary is Irish Base Metals Limited operating the Tynagh lead-zinc-copper-silver mine in County Galway. Operations at the Tynagh Mine in 1978 were severely affected by a labour dispute which resulted in a reduction in concentrate production to less than 50% of the total scheduled. The labour dispute which led to the shut down of the mine early in July was settled in December, 1978 and, as a result, shipments of concentrates halted in May, 1978 resumed early in January, 1979.

Financial results for 1978 showed a consolidated net profit of \$458,000 equal to 7¢ per share compared with a net loss in 1977 of \$590,000 or 8.5¢ per share. The favourable effect of the adjustment in the value of concentrate inventory was evident in the fourth quarter 1978 with a consolidated net profit for the period of \$763,000 equal to 11¢ per share compared with a net loss of \$836,000 or 12.5¢ per share for the same period in 1977.

Due to the shut down of the Tynagh Mine for almost half of 1978, the previous forecast of the termination of operations at the end of 1979 is now likely to take place during the second half of 1980.

In addition to its extensive mineral exploration programs budgeted at \$2.3 million for 1979, Northgate has entered into an agreement for the exploration and development of oil and gas properties throughout North America with Mission Oil and Gas Limited, a newly formed private company headquartered in Calgary, Alberta. Mission is being financed for an initial five-year term by Northgate and other Canadian investors.

Northgate's annual contribution to this project is approximately \$1 million for exploration and up to \$2 million for development, as required. Independent of the foregoing undertaking with Mission Oil and Gas, Northgate participated in two petroleum projects in 1978, each representing a 25% working interest.

Northgate's financial results for the 1979 first quarter showed consolidated net income of \$1,240,000 equal to 18¢ per share, a considerable improvement over the first quarter of 1978 with net income of \$356,000 or 5¢ per share. This significant improvement was achieved despite the fact that regular operations at the Tynagh Mine only recommenced in February and during the limited period of approximately one month of production in the 1979 first quarter, 61,194 tons of ore were treated compared with 102,163 for the entire first quarter of 1978.

Northgate's working capital at December 31, 1978 was \$25,616,000 compared with \$28,371,000 (restated) at the previous year end. Quoted value of investments, including shares of associated companies, at December 31, 1978 was approximately \$34.4 million.

VESTGRON MINES LIMITED

Vestgron Mines Limited, 62.5% owned by Cominco Ltd., reported net earnings for 1978 of \$3,652,000 equal to \$0.86 per share against \$5,721,000 or \$1.35 per share in 1977. The major portion of Vestgron's 1978 earnings were derived from fourth quarter sales with indicated earnings for that quarterly period of approximately \$3.4 million or about \$0.80 per share. The 1978 fourth quarter was the period during which zinc and lead prices gained appreciably, but still significantly below the current price levels for these metals.

Earnings are obtained from the mining operations at the Black Angel Mine, the wholly owned Danish subsidiary, Greenex A/S, in West Greenland.

Concentrate production in 1978 amounting to 143,300 metric tons of zinc concentrate and 43,200 metric tons of lead concentrate from the treatment of 621,000 tons of ore grading 14.5% zinc and 5.8% lead. The comparable production figures for 1977 were 132,300 metric tons of zinc concentrate and 39,500 metric tons of lead concentrate from the treatment of 553,600 metric tons of ore grading 15.1% zinc and 6.1% lead.

Revenue in 1978 amounting to \$45.9 million came from the sale of 120,700 tons of zinc concentrate and 44,900 tons of lead concentrate. This compares with \$42.8 million in 1977 from the sale of 137,900 metric tons of zinc concentrate and 44,100 metric tons of lead concentrate.

Concentrate sales during the 1979 first quarter amounted to 27,628 metric tons of zinc concentrate providing revenue of \$8.5 million. There were no lead concentrate sales during this period. The comparable sales figures for the 1978 first quarter were 12,688 metric tons of zinc concentrate and 1,677 metric tons of lead concentrate with gross revenue of \$2.6 million. Net earnings for the quarter of \$847,000 or 20¢ per share compare with a loss of \$1,408,000 or 33¢ per share for the first quarter in 1977. Vestgron's earnings are generally higher in the second half of the year since this is the period of high sales volume after the opening of the shipping season.

Vestgron declared its initial dividend of 40¢ per share, payable June 22nd to shareholders of record June 6, 1979. In its recently published report on the proceedings of the Annual Meeting of shareholders, held April 24, 1979, the Chairman informed shareholders that a semi-annual dividend policy was envisaged.

Vestgron shareholders were also advised that a program of surface diamond drilling to trace the trend of the mine ore zones eastward from the mine would be undertaken in 1979 at an estimated cost of \$1 million. Exploration drilling is also planned for a massive sulphide mineralized showing at nearby Uvkusigssat during the current year.

WHIM CREEK CONSOLIDATED N. L.

Whim Creek is active in exploration on its own account and in conjunction with other corporations, principally in the West Pilbara region in the vicinity of Roebourne, and in the Meekatharra and Eastern Goldfields areas, Western Australia. Activities in 1978 were mainly directed toward the continuing test work for metallurgical and engineering design purposes in connection with planned operation by mining and heap leaching of Meekatharra gold properties. In addition, the metallurgical and engineering studies relating to the concept of leaching operations based on the Whim Creek oxide copper deposits, were completed early in the year.

Other planned activities of Whim Creek during 1979 include diamond exploration on property interests in the Kimberley region; additional exploration on the Sholl copper-nickel properties; and the continuation of drilling and metallurgical investigations on the optioned Burtville and Morgans Gold Mines' properties in the Eastern Goldfields region.

Gold Properties

The Meekatharra gold properties totalling some 74 gold mining leases and other mineral claims, are the subject of the Meekatharra-Murchison joint venture agreements in which Whim Creek is entitled to earn up to approximate interests of 50%. The concept of the Meekatharra project involves the mining and treatment of easily accessible oxidized gold mineralized material outlined by drilling in the vicinity of narrow higher grade lodes mainly worked some 50 years ago, when gold prices were around \$20 per ounce.

Whim Creek plans to commence operations by mining and heap leaching at one of these properties, the Haveluck deposit, where earlier rotary reverse circulation and percussion drilling has shown reserves of 1,246,000 metric tons grading 1.95 grams gold per ton. The possible reserves for the other properties comprising the Meekatharra-Murchison joint venture agreements are 1,300,000 metric tons at 3.9 grams gold per ton.

These reserves generally occur within 50 metres of the surface and the deposits would be amenable to open pit methods with an acceptable waste to ore ratio.

Capital cost estimates for the contemplated operation at the Haveluck deposit based on a preliminary feasibility study by consultants, which is inclusive of operating costs for the initial three month period of mining, is \$1.5 million, Australian funds. The funding of this project will require additional financing.

Whim Creek-Mons Cupri Copper Deposits

The Whim Creek deposit is owned outright by the corporation and agreement has been reached with Texasgulf Australia Limited to acquire the sole rights to the oxidized secondary copper deposit at Mons Cupri to a depth of 230 feet, bringing these two oxidized copper deposits under Whim Creek's control. Combined reserves of these two deposits

are estimated at 3,360,000 metric tons of 1.4% copper (46,700 metric tons of contained metal).

Both deposits could be mined by open pit methods at acceptable waste to ore ratios. There is sufficient extractable copper to provide for production of some 6,000 metric tons per annum of copper cathodes over a period of about six years. It is proposed to re-examine the capital cost estimates for the Whim Creek-Mons Cupri deposits in light of recent advances in copper extraction technology.

Mt. Sholl Project

Considerable exploration carried out several years ago generally directed at shallow horizons suitable for open pit mining, indicated probable reserves of about 1.5 million tons grading 1.05% copper and 0.8% nickel. Additional exploration is envisaged during 1979 to test the Mt. Sholl properties including further drilling for possible reserve extensions, confirmation of metal values and samples for metallurgical testing.

Financial

Whim Creek's expenditures for the year, mainly the continuation of feasibility and metallurgical studies, amounted to approximately Aust.\$408,694. Working capital at December 31, 1978 was Aust.\$721,678 compared with Aust.\$1,104,708 at the 1977 year end.

(Note: all dollar figures are in Australian funds — Aust.\$1.00 equals \$1.30 in Canadian funds).

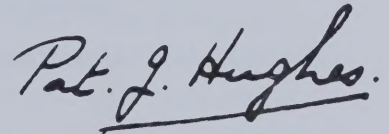
GENERAL

The Corporation's exploration activities were maintained at a high level during 1978 and presently

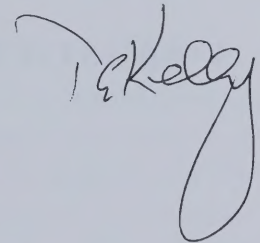
projected programs and expenditures clearly indicate a very significant increase in the current year. Finances have been considerably augmented by the profit realized.

Of particular significance to the Corporation is the initial dividend payment to be made by Vestgron Mines Limited in June, 1979 and the announcement that "a semi-annual dividend policy was envisaged". This long term investment holding is now regarded as a substantial contributor of funds to the Corporation and it is anticipated that future dividends will be commensurate with the higher earnings indicated by the appreciable improvement in metal prices.

On behalf of the Board of Directors



Patrick J. Hughes, Chairman



Thomas E. Kelly, President

Toronto, Canada
June 11, 1979

CONSOLIDATED BALANCE SHEET

ASSETS

Current assets:

Cash and bank term deposits

Amounts receivable

Total current assets

Investments (note 1(a), 1(b), 2 and accompanying schedule):

Non-consolidated subsidiary corporations

Associated corporations

Other corporations (note 5)

Interests in oil and gas properties (notes 1(c) and 3)

Mineral exploration expenditures deferred (notes 1(d) and 4)

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Demand bank loan (note 5)

Accounts payable and accrued charges

Due to associated corporations

Total current liabilities

Shareholders' equity (note 6):

Capital —

Issued:

6,265,197 common shares (6,236,197 in 1977)

Contributed surplus

Retained earnings

On behalf of the Board:

P. J. HUGHES, Director

S. P. BOLAND, Director

(See accompanying notes)

WESTFIELD MINERALS LIMITED

(Incorporated under the Canada Corporations Act)

AUDITORS' REPORT

To the Shareholders of

Westfield Minerals Limited:

We have examined the consolidated balance sheet of Westfield Minerals Limited as at December 31, 1978 and the consolidated statements of loss, retained earnings, contributed surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. With respect to the corporation's investment in the associated corporation, Whim Creek Consolidated N.L., which is accounted for on the equity basis, we have relied on the report of Australian auditors who have examined its consolidated financial statements.

In our opinion, these consolidated financial statements present fairly the financial position of the corporation as at December 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change to the equity basis of accounting for the corporation's investment in Whim Creek Consolidated N.L. as described in note 2, on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.

Chartered Accountants

Toronto, Canada

February 9, 1979

December 31, 1978	1977
	(restated — note 2)
\$ 88,292	\$ 644,891
5,041	12,947
93,333	657,838

2	2
5,416,041	5,434,912
740,700	761,410
6,156,743	6,196,324
870,168	
465,961	223,455
\$7,586,205	\$7,077,617

December 31, 1978	1977
	(restated — note 2)
\$ 375,000	
130,182	85,028
168,709	68,514
673,891	153,542

4,513,121	623,620
51,120	3,875,951
4,564,241	4,499,571
2,348,073	2,424,504
6,912,314	6,924,075
\$7,586,205	\$7,077,617

CONSOLIDATED STATEMENT OF LOSS

	Year ended December 31,	
	1978	1977 (restated — note 2)
REVENUE:		
Interest on bank deposits and short-term investments	\$ 31,826	\$ 36,682
Dividends on investment in Northgate Exploration Limited		259,092
Foreign exchange gain	25,152	8,915
	<u>56,978</u>	<u>304,689</u>
ADMINISTRATIVE AND GENERAL EXPENSES:		
Administrative fee (note 9)	60,000	12,111
Consultants' fees	8,296	21,283
Legal and audit	13,944	8,589
Transfer agent	6,902	3,769
Reports to shareholders and other shareholder costs	6,936	5,316
Directors' fees	7,000	11,100
Other	21,655	8,719
	<u>124,733</u>	<u>70,887</u>
INCOME (LOSS) BEFORE THE FOLLOWING	<u>(67,755)</u>	<u>233,802</u>
Gain on sale of investments	69,807	
Mineral exploration advances to non-consolidated subsidiary written off (note 1(a))	(3,966)	(31,679)
Exploration expenditures written off (notes 1(d) and 4)	(46,146)	(626,121)
Equity in loss of Whim Creek Consolidated N.L. (note 2)	(18,871)	(129,845)
	<u>824</u>	<u>(787,645)</u>
Loss before income taxes	(66,931)	(553,843)
Deferred income taxes (note 8)		102,500
Loss for the year (per share 1978 — 1¢; 1977 (restated — note 2) — 7¢)	<u>\$ (66,931)</u>	<u>\$ (451,343)</u>

(See accompanying notes)

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Year ended December 31,	
	1978	1977
		(restated — note 2)
Retained earnings, beginning of year:		
As previously reported	\$2,373,973	\$2,695,471
Adjustment to reflect investment in Whim Creek Consolidated N.L. on the equity basis of accounting (note 2)	50,531	180,376
As restated	2,424,504	2,875,847
Loss for the year	(66,931)	(451,343)
Costs relating to issue of Supplementary Letters		
Patent and capitalization of contributed surplus during year (note 6)	(9,500)	
Retained earnings, end of year	<u>\$2,348,073</u>	<u>\$2,424,504</u>

CONSOLIDATED STATEMENT OF CONTRIBUTED SURPLUS

	Year ended December 31,	
	1978	1977
Contributed surplus, beginning of year	\$3,875,951	\$3,875,951
Add excess of amounts received for shares issued under option agreements during year over par value of such shares at date of issue (note 6)	51,120	
Deduct amount capitalized during year (note 6)	(3,875,951)	
Contributed surplus, end of year	<u>\$ 51,120</u>	<u>\$3,875,951</u>

(See accompanying notes)

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year ended December 31,	
	1978	1977
Source of funds:		
Interest income and foreign exchange gain	\$ 56,978	\$ 45,597
Dividend income		259,092
	56,978	304,689
Proceeds on disposal of investments	90,517	
Issue of common shares (note 6)	64,670	
	212,165	304,689
Application of funds:		
Administrative and general expenses	124,733	70,887
Purchase of investments		793
Interests in oil and gas properties acquired	870,168	
Mineral exploration expenditures	288,652	272,419
Mineral exploration advances to non-consolidated subsidiary (note 1(a))	3,966	31,679
Costs relating to issue of Supplementary Letters Patent and capitalization of contributed surplus (note 6)	9,500	
	1,297,019	375,778
Decrease in funds during the year	(1,084,854)	(71,089)
Working capital, beginning of year	504,296	575,385
Working capital (deficiency), end of year	\$ (580,558)	\$ 504,296
Represented by:		
Current assets	\$ 93,333	\$ 657,838
Less current liabilities	673,891	153,542
	\$ (580,558)	\$ 504,296

(See accompanying notes)

**CONSOLIDATED SCHEDULE OF INVESTMENT IN
NON-CONSOLIDATED SUBSIDIARY, ASSOCIATED
AND OTHER CORPORATIONS**

	Number of shares	Carrying value (notes 1(a), 1(b) and 2) December 31,	
		1978	1977
			(restated — note 2)
Non-consolidated subsidiary corporations		\$ 2	\$ 2
Associated corporations:			
Whim Creek Consolidated N.L. (22% owned) (quoted market value, 1978 — \$2,250,000; 1977 — \$1,250,000) (note 2)	2,500,000*	744,157	763,028
Northgate Exploration Limited (13.6% owned) (quoted market value, 1978 — \$5,853,869; 1977 — \$4,167,955)	936,619*	4,671,554	4,671,554
Westpark Exploration Company (33% owned) (no quoted market value)	33,000	330	330
		<u>5,416,041</u>	<u>5,434,912</u>
Other corporations:			
Vestgron Mines Limited (9.8% owned) (quoted market value, 1978 — \$4,663,238; 1977 — \$4,248,728) (note 5)	414,510*	621,630	621,630
Other		119,070	139,780
		<u>740,700</u>	<u>761,410</u>
Total		<u>\$6,156,743</u>	<u>\$6,196,324</u>

*Whim Creek Consolidated N.L. is listed on Australian stock exchanges. Northgate Exploration Limited is listed on Canadian, American and London stock exchanges and Vestgron Mines Limited on Canadian stock exchanges. Because of the substantial number of shares of these companies held by Westfield, the amount which might be realized if these shares were to be sold may be more or less than the market values quoted for such shares.

(See accompanying notes)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1978

1. SUMMARY OF ACCOUNTING POLICIES

The following accounting policies of Westfield Minerals Limited ("Westfield") are set forth to facilitate the understanding of data presented in these consolidated financial statements:

(a) Principles of consolidation —

The consolidated financial statements include the accounts of Westfield and of the subsidiary, WFD Ltd., a wholly-owned United States exploration company.

The accounts of two other subsidiaries are not consolidated herein as they are not material to these financial statements. Westfield's investment in such subsidiaries is carried at a nominal amount, being cost less \$168,877 written off to date (including a write-off of mineral exploration advances of \$3,966 in 1978 and \$31,679 in 1977) to reflect Westfield's share of such subsidiaries' losses to December 31, 1978.

(b) Investment in associated and other corporations —

(i) Westfield follows the equity method of accounting for its investment in the 22% owned associated corporation, Whim Creek Consolidated N.L. (see note 2).

(ii) Westfield's investments in the remaining associated and other corporations are carried at cost, or, where it has been estimated that there has been a loss in value which is other than a temporary decline, at cost less an amount of write-down to recognize such loss.

(c) Interests in oil and gas properties —

Westfield's interests in oil and gas properties are carried at cost, including lease acquisition costs and related exploration and development expenditures. Costs related to each separate project are capitalized. Depletion is to be provided on producing properties on the unit of production method. Costs will be written down where there has been an impairment in value of a project.

(d) Mineral exploration expenditures deferred —

Mineral exploration expenditures are deferred until the results of the related projects are known. If the project is successful the related exploration expenditures are amortized over a period of years, pro rata to anticipated income from that source. If the project is abandoned or considered to be of no immediate value to the corporation, the related expenditures are charged at such time against income. The costs deferred at any time do not necessarily reflect present or future values.

(e) Foreign currency translation —

Foreign currency amounts are translated into Canadian dollars on the following bases: current monetary assets and liabilities at the exchange rate at the end of each year; fixed assets and deferred exploration and development expenditures at the rates prevailing in the years the related costs were incurred; income and expense at average exchange rates for each year, with the exception of depreciation, and exploration and development expenditures written off, which are at rates prevailing when the related costs were incurred. Exchange gains and losses resulting from such translation are included in income in the year.

(f) Deferred income taxes —

Westfield follows the tax allocation method of accounting for income taxes. Under this method deferred income taxes are provided or credited to income on timing differences between accounting income and income for tax purposes. These differences arise because certain amounts claimed for tax purposes (mainly exploration costs) differ from amounts written off in the accounts.

2. INVESTMENT IN WHIM CREEK CONSOLIDATED N.L. AND RELATED CHANGE IN ACCOUNTING PRINCIPLES

Northgate Exploration Limited ("Northgate"), an associated corporation which owns approximately 45% of the outstanding shares of Westfield, and Westfield, own together approximately 54% of the outstanding shares of the associated corporation Whim Creek Consolidated N.L. ("Whim Creek"). The investment in

Whim Creek is subject to Australian foreign ownership legislation, and remittances from that country may be subject to Australian foreign exchange regulations.

During the 1978 fiscal year, Westfield adopted, and applied retroactively in its accounts, the equity basis of accounting for its investment in Whim Creek, in accordance with recent recommendations of the Canadian Institute of Chartered Accountants, as its 22% interest in that corporation allows it to exercise significant influence in that corporation's affairs.

The effect of this change in accounting, and of its retroactive application in the accounts of Westfield, is as follows:

- (a) Westfield has charged \$18,871 (\$129,845 for 1977) against income as its share of the net loss of Whim Creek for the year.
- (b) As a result of the foregoing, Westfield's loss for 1978 has been increased from \$48,060 to \$66,931 (from $\frac{3}{4}$ ¢ per share to 1¢ per share) and its loss for 1977 has been increased from the amount of \$321,498 previously reported to \$451,343 (from 5¢ per share to 7¢ per share).
- (c) The carrying value of Westfield's investment in Whim Creek in the December 31, 1978 balance sheet has been increased by \$31,660 (increased by \$50,531 at December 31, 1977 and \$180,376 at January 1, 1977 over the amounts previously reported) and retained earnings in Westfield's balance sheets at such dates has been increased by corresponding amounts. (Under United States accounting principles, the adjustment to shareholders' equity would have been reflected as an increase of \$1,076,941 in contributed surplus and a reduction in retained earnings of \$1,045,281 at December 31, 1978, \$1,026,410 at December 31, 1977, and \$896,565 at January 1, 1977.)
- (d) The carrying value of Westfield's investment in Whim Creek on the equity basis is equal to Westfield's interest in the underlying net book value of Whim Creek's assets as adjusted to reflect the accounting policies of Westfield.

Foreign exchange gains and losses (not material in Westfield's accounts) resulting from the translation of Whim Creek's accounts have been included in computing the above reported amounts of Westfield's equity in the net loss of Whim Creek in 1978 and 1977.

3. INTERESTS IN OIL AND GAS PROPERTIES

Westfield's interests in oil and gas properties were all acquired in the 1978 fiscal year and consist of the following:

	December 31, 1978
Wayne-Rosedale area, Alberta —	
Interest in leasehold properties	\$553,300
Interests in four quarter sections with further options	247,851
	801,151
Slave Point area, British Columbia —	
Interest in gas well drilling project	69,017
	<u>\$870,168</u>

4. MINERAL EXPLORATION EXPENDITURES DEFERRED

Deferred mineral exploration expenditures consist of the following:

	Balance, beginning of year	Expended during the year	Amounts written off	Balance, end of year
Newfoundland uranium project		\$207,272		\$207,272
Johan Beetz joint venture — Quebec	\$ 47,357	47,261		94,618
Ortell Lake project — Yukon Territories	48,713	1,022		49,735
Rennie Townships — Ontario	84,327			84,327
Other projects	43,058	33,097	\$46,146	30,009
	<u>\$223,455</u>	<u>\$288,652</u>	<u>\$46,146</u>	<u>\$465,961</u>

5. BANK LOAN

The bank loan of \$375,000 at December 31, 1978 bears interest at the bank's prime rate, and is secured by an assignment of the corporation's 414,510 shares in Vestgron Mines Limited.

6. SHARE CAPITAL**(a) Changes in authorized share capital and capitalization of contributed surplus —**

On December 22, 1978, by Supplementary Letters Patent, the authorized and issued common shares of the corporation were changed from shares with a par value of 10¢ each into common shares without nominal or par value, and the paid-up capital of the issued common shares of the corporation was increased by capitalizing an amount of \$3,875,951 of contributed surplus (which for tax purposes represented a capitalization of 1971 capital surplus on hand).

Accordingly, the authorized and issued share capital of Westfield consists of the following at December 31, 1978:

- 150,000 5% non-cumulative, non-participating, convertible, redeemable (at 102%) preferred shares of the par value of \$7.50 each (less 120,000 shares converted or redeemed and cancelled) (none outstanding)
- 10,000,000 common shares without nominal or par value (6,265,197 shares outstanding at December 31, 1978, after issue of certain shares under a stock option plan during the year (see note 6(b)) (6,236,197 shares outstanding in 1977).

(b) Stock option plans —

On November 10, 1978 certain officers and employees were granted options to purchase a total of 75,000 common shares of the corporation at a price of \$2.23 per share (being a discount of 15% from the quoted market price per share at the date the options were granted), which options are exercisable to November 9, 1983. Subsequently during 1978, options on a total of 29,000 shares were exercised for cash of \$64,670, of which amount \$13,550 was allocated to paid-up capital, and the balance (\$51,120) to contributed surplus. A total of 46,000 unissued shares of the corporation are reserved for issuance under the balance of the options outstanding at December 31, 1978.

7. INTEREST IN CERTAIN RESOURCE PROPERTY AND SURFACE RIGHTS

During the 1975 year Westfield sold a resource property and certain surface rights. As part of the sale agreement, Westfield is entitled to a 25% net profit carried interest in all production from the mining rights, including ore, concentrates and metals produced during the term of the agreement, such term being from January 1, 1975 to December 31, 2024, with a renewal option, exercisable by either party, for a further fifty years.

Westfield is also entitled to receive 33⅓% of such net proceeds as may be realized at any time in the future from the sale of the surface rights.

No income was earned under this agreement during the years 1975 to 1978 inclusive.

8. INCOME TAXES

Accumulated tax losses aggregating approximately \$127,000 which expire as to \$28,000 in 1981, \$25,000 in 1982 and \$74,000 in 1983 may be available under applicable provisions of the Income Tax Act (Canada) to reduce income subject to tax, if earned, in those years.

9. REMUNERATION OF DIRECTORS AND OFFICERS

During the year, Westfield had ten directors and four officers (of whom three were also directors). Remuneration paid to the directors, as directors, was \$7,000 (\$11,100 in 1977) and to officers, as officers, directly was \$8,600 (\$21,000 in 1977).

In addition during the year, Westfield paid to Northgate Exploration Limited, an associated corporation (see note 2), a fee of \$60,000 (1977 — \$12,111) for administrative services, which fee was in respect of services of certain officers, office rent, and accounting and administrative costs incurred by Northgate on behalf of Westfield.

